

MULTIMEDIA



UNIVERSITY®

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 3, 2017 / 2018

### **BAC 1624 – MANAGEMENT ACCOUNTING 1** (All Sections/Groups)

6 JUNE 2018  
9.00 AM – 12.00 PM  
(3 Hours)

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#### INSTRUCTIONS TO STUDENT

1. This question paper consists of **SIX** pages (excluding cover page) with **FIVE** questions only.
2. Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Write your answers and workings in the Answer Booklet provided.



**QUESTION 1**

Lee Hwa Furniture manufactures office furniture by using assembly-line process. All direct materials are introduced at the start of the process, and conversion cost is incurred evenly throughout manufacturing. An examination of the company's work-in-process account for August revealed the following selected information:

August 1 <sup>st</sup> balances	900 units, 30% complete
Value of beginning inventory	RM133,800*
Production started in August	2,700 units
Direct materials used during August	RM270,000
August conversion cost	RM154,200
Production completed	2,100 units

*\*Supplementary records disclosed direct material cost of RM90,000 and conversion cost of RM43,800.*

Conversion with manufacturing process revealed that the ending work-in-process was 80% complete. The company uses FIFO in its costing method.

**Required:**

- a) Compute the equivalent unit of production for material and conversion.  
(6 marks)
- b) Determine the unit cost for material and conversion.  
(Please round your answers to the nearest ringgit)  
(3 marks)
- c) Show the assignment of costs to the units transferred out and in process at the end of the month.  
(4 marks)
- d) Journalize the transfer of cost from this department to next department.  
(2 marks)
- e) Would your answer in a) differs, if the company adopted the weighted average method? Justify your answer with calculations.  
(5 marks)

**[TOTAL 20 MARKS]**

**Continued...**



**QUESTION 2**

Riuh Rendah Sdn. Bhd. produces speakers (Model A and Model B). Both produces pass through two producing departments. Model A's production is much more labor-intensive than that of Model B. Model B is also the more popular of the two speakers. The following data have been gathered for the two products:

	<b>Product Data</b>	
	<b>Model A</b>	<b>Model B</b>
Unit produced per year	10,000	100,000
Prime Costs	RM150,000	RM1,500,000
Direct labour hours	140,000	300,000
Machine Hours	20,000	200,000
Production runs	40	60
Inspection Hours	10,000	90,000
<b>Overhead Costs:</b>		
Set-up costs	RM270,000	
Inspection costs	210,000	
Machining	240,000	
Maintenance	270,000	
<b>Total</b>	<b>RM990,000</b>	

**Required:**

- (a) Compute the overhead cost per unit for each product using a plant-wide based on direct labor hours.  
(Please round your answers to two decimal places) (4 marks)
- (b) Compute the overhead costs per unit for each product using activity-based costing method.  
(Please round your answers to two decimal places) (12 marks)
- (c) Suppose that Riuh Rendah Sdn. Bhd. decides to use departmental overhead rates. There are two departments: Department 1 (machine intensive) with a rate of RM3.50 per machine hour and Department 2 (labor intensive) with a rate of RM0.90 per direct labor hour. The consumption of these two drivers is as follows:-

	<b>Department 1 Machine Hours</b>	<b>Department 2 Labor Hours</b>
Model A	10,000	130,000
Model B	170,000	270,000

Compute the overhead cost per unit for each product by using departmental rate.  
(Please round your answers to two decimal places)

(4 marks)

**[TOTAL 20 MARKS]**  
**Continued...**



**QUESTION 3**

Silikon Cards makes a high-capacity memory card, SC-100, for use in electronic equipment. Silikon's owner, Monique Meijia, started the company because she believed the memory cards would gain widespread acceptance. Monique believed the demand for portable electronics would increase and, in turn, stimulate the demand for memory cards.

During the upcoming year, Silikon expects to sell 450,000 SC-100 cards at an average selling price of RM30 per card. Silikon's unit variable cost is RM18 per card, and its annual fixed costs equal RM4,800,000.

**Required:**

- (a) Compute break-even point in units and in Ringgit Malaysia. (4 marks)
- (b) Compute Silikon's expected margin of safety for the coming year. Also, what would sales volume need to be if Monique desires a 20% margin of safety? (3 marks)
- (c) Compute how many cards would Silikon need to sell to earn an annual pre-tax profit of RM1,800,000? Assume Silikon pays income taxes equal to 40% of profit before taxes. (3 marks)
- (d) Silikon's Marketing Manager is requesting an additional RM750,000 for advertising and promotion. How would Silikon's volume change if Monique agrees to this expenditure? Assume that the Marketing Manager believes that sales will increase by 100,000 cards if Silikon spends an additional RM750,000 on advertising and promotion. By how much will Silikon's profit after taxes increase or decrease due to the advertising, assuming the tax rate is the same as in (c) above. (5 marks)
- (e) List out the assumptions in Cost-Volume-Profit. (5 marks)

**[TOTAL 20 MARKS]**

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**QUESTION 4****PART A**

Credit sales and purchases in the first three months of the year for Rubina Sdn.Bhd. is estimated as follows:

	<b>January (RM)</b>	<b>February (RM)</b>	<b>March (RM)</b>
Credit Sales	18,400	19,600	17,900
Credit Purchases	14,500	15,100	15,600

The expected pattern for receipts from credit sales and payments for purchases is as follows:

	<b>month after transaction</b>	<b>following month</b>
Receipts from credit sales	60%	40%
Payments for purchases	70%	30%

**Required:**

- Prepare the schedule of expected cash collections for the month February until April.  
(5 marks)
- Prepare the schedule of expected cash payments for the month of February until April.  
(3 marks)
- List and explain TWO advantages of participative budgeting.  
(2 marks)

**Continued...**



**PART B**

University Inn's most recent monthly expense analysis revealed significant cost overrun. The Manager was asked to explain the deviation. Below is the budget vs. actual expense report for the month of October 2018 :

**University Inn**  
**Budget Vs. Actual Expense Report**  
**For the month ending 30<sup>th</sup> October 2018**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Utilities	81,800	72,000	(9,800)
Laundry	32,890	28,800	(4,090)
Food Service	63,000	56,000	(7,000)
Rent/Taxes	100,800	100,800	-
Staff Wages	88,700	85,000	(3,700)
Management Salaries	70,000	72,000	2,000
Water	24,024	16,000	(8,024)
Maintenance	<u>28,090</u>	<u>24,000</u>	<u>(4,090)</u>
Total Expenses	<u>489,304</u>	<u>454,600</u>	<u>(34,704)</u>

The Inn has observed that utilities, water, food service, staff wages and laundry cost all vary with activity. The other costs are fixed. The budget reflected above rate was based upon an assumed 80% occupancy rate. The university' football team was on a winning streak and numerous alumni were returning to campus in October, resulting in 92% occupancy rate during the month.

**Required:**

Prepare a flexible budget expense report for the University for the month of October 2018 based on 92% occupancy rate.

(10 marks)

**[TOTAL 20 MARKS]**

**Continued...**



**QUESTION 5**

Mutiara Sdn. Bhd. produces many products for household use. The company sells products to storekeepers as well as to customers. Detergent-DX is one of the products of Mutiara Sdn. Bhd. It is a cleaning product that is produced, packed in large boxes and then sold to customers and storekeepers.

Mutiara Sdn. Bhd. uses a traditional standard costing system to control costs and has established the following materials, labor and overhead standards to produce one box of Detergent-DX:

- Direct materials; 1.5 pounds @ RM12 per pound: RM18.00
- Direct labor; 0.6 hours @ RM24 per hour: RM14.40
- Variable manufacturing overhead; 0.6 hours @ RM5.00: RM3.00

During August 2017, company produced and sold 3,000 boxes of Detergent-DX. 8,000 pounds of direct materials were purchased @ RM11.50 per pound. Out of these 8,000 pounds, 6,000 pounds were used during August. There was no inventory at the beginning of August. 1,600 direct labor hours were recorded during the month at a cost of RM40,000. The variable manufacturing overhead costs during August totaled RM7,200.

**Required:**

- a) Calculate the following variances:
- (i) Material Price Variance
  - (ii) Material Quantity Variance
  - (iii) Labor Price Variance
  - (iv) Labor Quantity Variance

(12 marks)

- b) Explain each of the Balance Scorecard perspectives.

(8 marks)

**[TOTAL 20 MARKS]**

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